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**STATE OF MONTANA  
LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
  
FINANCIAL-COMPLIANCE AUDIT FOR THE  
TWO FISCAL YEARS ENDED JUNE 30, 2005**

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**STATE OF MONTANA  
LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL**

**FINANCIAL-COMPLIANCE AUDIT FOR THE  
TWO FISCAL YEARS ENDED JUNE 30, 2005**

**JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.  
Certified Public Accountants and Business Advisors**



## LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance  
Audit

October 2005

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the financial audit of the Montana Legislative Branch for the two fiscal years ended June 30, 2005.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, PC under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The Branch's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", with a long, sweeping horizontal line extending to the right.

Scott A. Seacat  
Legislative Auditor

05C-04



**STATE OF MONTANA  
LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
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**LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
ELECTED AND APPOINTED OFFICIALS  
AS OF JUNE 30, 2005**

**LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION**

**REPRESENTATIVES**

Bob Bergren  
Roy Brown  
Margarett Campbell  
Dennis Himmelberger  
Mike Lange  
David E. Wanzenried

**SENATORS**

Bob Keenan - Presiding Officer  
Vicki Cocchiarella- Vice Presiding Officer  
Greg Barkus  
Kelly Gebhardt  
Dan Harrington  
Mike Wheat

**EXECUTIVE DIRECTOR:** Lois Menzies

**LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION**

**REPRESENTATIVES**

Dee Brown  
Hal Jacobson  
Christine Kaufmann  
Scott Mendenhall  
John Musgrove  
Janna Taylor

**SENATORS**

Jim Elliott - Acting Chair  
Joe Balyeat  
John Brueggeman  
Dan Harrington  
Lynda Moss  
Corey Stapleton

**LEGISLATIVE AUDITOR:** Scott A. Seacat

**LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION**

**REPRESENTATIVES**

Rosalie Buzzas - Vice Presiding Officer  
Gary Branae  
Tim Callahan  
Ray Hawk  
Rick Ripley  
John Sinrud

**SENATORS**

John Cobb - Presiding Officer  
Keith Bales  
Mike Cooney  
Rick Laible  
Don Ryan  
Carol Williams

**LEGISLATIVE FISCAL ANALYST:** Clayton L. Schenck





**Junkermier • Clark  
Campanella • Stevens • P.C.**

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Certified Public Accountants and Business Advisors

## **INDEPENDENT AUDITORS' REPORT**

The Legislative Audit Committee  
Of the Montana State Legislature:

We have audited the accompanying financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2004 and 2005, as listed in the table of contents. These financial schedules are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Legislative Branch's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Legislative Branch for the fiscal years ended June 30, 2004 and 2005, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the audit committee, management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2005 on our consideration of the Legislative Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Helena, Montana  
October 7, 2005



LEGISLATIVE BRANCH  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General Fund	State Special Revenue Fund
FUND BALANCE: July 1, 2003	<u>\$ (21,457)</u>	<u>\$ 161,181</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	5,675	3,016,286
NonBudgeted Revenues & Transfers-In	1,686	60,579
Prior Year Revenues & Transfers-In Adjustments	206	(192)
Cash Transfers In(Out)		
Direct Entries to Fund Balance	7,647,722	168,689
Additions to Property Held in Trust		
Total Additions	<u>7,655,289</u>	<u>3,245,362</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	8,045,166	2,091,477
NonBudgeted Expenditures & Transfers-Out		(12)
Prior Year Expenditures & Transfers-Out Adjustments	2,850	
Reductions in Property Held in Trust		
Total Reductions	<u>8,048,016</u>	<u>2,091,465</u>
FUND BALANCE: June 30, 2004	<u>\$ (414,184)</u>	<u>\$ 1,315,078</u>

See the notes to financial statements.



LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Total
Taxes	\$ 1,260		1,260
Charges for Services		\$ 1,895,775	1,895,775
Sale of Documents, Merchandise and Property	5,675	1,180,215	1,185,890
Miscellaneous	632		632
Grants, Contracts, Donations and Abandonments		683	683
Total Revenues & Transfers-In	<u>7,567</u>	<u>3,076,673</u>	<u>3,084,240</u>
Less: Nonbudgeted Revenues & Transfers-In	1,686	60,579	62,265
Prior Year Revenues & Transfers-In Adjustments	206	(192)	14
Actual Budgeted Revenues & Transfers-In	<u>5,675</u>	<u>3,016,286</u>	<u>3,021,961</u>
Estimated Revenues & Transfers-In	2,000	2,669,060	2,671,060
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 3,675</u>	<u>\$ 347,226</u>	<u>\$ 350,901</u>
 BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Taxes		\$-	0
Charges for Services		\$ 412,336	412,336
Sale of Documents, Merchandise and Property	\$ 3,675	(55,860)	(52,185)
Miscellaneous			0
Grants, Contracts, Donations and Abandonments		(9,250)	(9,250)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 3,675</u>	<u>\$ 347,226</u>	<u>\$ 350,901</u>

See the notes to financial statements.





LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT

	AUDIT & EXAMINATION	FISCAL ANALYSIS & REVIEW	LEGIS. COMMITTEES & ACTIVITIES	LEGISLATIVE SERVICES	LEGISLATIVE SERVICES FEED BILL	LEGISLATURE- HOUSE	LEGISLATURE - SENATE	Total
Personal Services								
Salaries	\$ 2,356,623	\$ 909,277	\$ 50,150	\$ 2,376,713		\$ 4,805	\$ 2,143	\$ 5,699,711
Employee Benefits	607,558	221,491	4,432	609,216	95	524,317	304,641	2,271,750
Total	<u>2,964,181</u>	<u>1,130,768</u>	<u>54,582</u>	<u>2,985,929</u>	<u>95</u>	<u>529,122</u>	<u>306,784</u>	<u>7,971,461</u>
Operating Expenses								
Other Services	33,501	15,715	4,113	858,281	50,382	11	981	962,984
Supplies & Materials	20,906	7,080	329	232,182	47,307	230	1,114	309,148
Communications	25,295	9,038	5,741	79,747	8,596	404	136	128,957
Travel	43,294	10,056	93,508	15,230		5,696	3,547	171,331
Telnet	384		50	138,792				139,226
Repair & Maintenance	401			77,508	700		1,837	80,446
Other Expenses	31,023	200	174,109	70,470		1,126	535	277,543
Total	<u>154,804</u>	<u>42,169</u>	<u>277,850</u>	<u>1,472,210</u>	<u>106,995</u>	<u>7,467</u>	<u>8,150</u>	<u>2,069,645</u>
Equipment & Intangible Assets								
Equipment				86,375				86,375
Intangible Assets	0	0	0	12,000	0	0	0	12,000
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>98,375</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>98,375</u>
Total Expenditures & Transfers-Out	<u>\$ 3,118,985</u>	<u>\$ 1,172,937</u>	<u>\$ 332,432</u>	<u>\$ 4,556,514</u>	<u>\$ 107,090</u>	<u>\$ 536,589</u>	<u>\$ 314,934</u>	<u>\$ 10,139,481</u>
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 1,847,102	\$ 1,172,937	\$ 332,432	\$ 3,736,932	\$ 107,090	\$ 536,589	\$ 314,934	\$ 8,048,016
State Special Revenue Fund	1,271,883			819,582	107,090	536,589	314,934	2,091,485
Total Expenditures & Transfers-Out	<u>3,118,985</u>	<u>1,172,937</u>	<u>332,432</u>	<u>4,556,514</u>	<u>107,090</u>	<u>536,589</u>	<u>314,934</u>	<u>10,139,481</u>
Less: Nonbudgeted Expenditures & Transfers-Out	0	0	0	0	0	0	0	0
Prior Year Expenditures & Transfers-Out Adjustments	1,263	528	0	1,050	0	(2)	(1)	2,836
Actual Budgeted Expenditures & Transfers-Out	<u>3,117,722</u>	<u>1,172,409</u>	<u>332,432</u>	<u>4,555,464</u>	<u>107,090</u>	<u>536,587</u>	<u>314,933</u>	<u>10,136,643</u>
Budget Authority	3,616,472	1,254,920	659,291	5,354,819	323,781	1,094,155	916,063	12,993,461
Unspent Budget Authority	<u>488,750</u>	<u>82,511</u>	<u>326,859</u>	<u>799,355</u>	<u>216,691</u>	<u>547,564</u>	<u>301,068</u>	<u>\$ 2,772,796</u>
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 362,929	\$ 82,511	\$ 326,859	\$ 680,255	\$ 216,691	\$ 547,564	\$ 301,068	\$ 2,517,876
State Special Revenue Fund	135,821			119,100	100			254,922
Unspent Budget Authority	<u>488,750</u>	<u>82,511</u>	<u>326,859</u>	<u>799,355</u>	<u>216,691</u>	<u>547,564</u>	<u>301,068</u>	<u>\$ 2,772,796</u>

See the notes to financial statements.



LEGISLATIVE BRANCH  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund	State Special Revenue Fund
	<u>\$ (414,184)</u>	<u>\$ 1,315,078</u>
FUND BALANCE: July 1, 2004		
ADDITIONS		
Budgeted Revenues & Transfers-In	36,442	923,398
NonBudgeted Revenues & Transfers-In	2,078	50,320
Prior Year Revenues & Transfers-In Adjustments		(99)
Cash Transfers In(Out)		
Direct Entries to Fund Balance	12,825,838	(101,034)
Additions to Property Held in Trust		
Total Additions	<u>12,864,358</u>	<u>872,585</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	13,165,011	1,977,008
NonBudgeted Expenditures & Transfers-Out	(5,976)	(732)
Prior Year Expenditures & Transfers-Out Adjustments		
Reductions in Property Held in Trust		
Total Reductions	<u>13,159,035</u>	<u>1,976,276</u>
FUND BALANCE: June 30, 2005	<u>\$ (708,861)</u>	<u>\$ 211,387</u>

See the notes to financial statements.



LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Total
Taxes	\$ 1,884		\$ 1,884
Charges for Services		931,757	931,757
Sale of Documents, Merchandise and Property	36,442	39,277	75,719
Miscellaneous	194		194
Grants, Contracts, Donations and Abandonments		2,585	2,585
Total Revenues & Transfers-In	<u>38,520</u>	<u>973,619</u>	<u>1,012,139</u>
Less: Nonbudgeted Revenues & Transfers-In	2,078	50,320	52,398
Prior Year Revenues & Transfers-In Adjustments	0	(99)	(99)
Actual Budgeted Revenues & Transfers-In	<u>36,442</u>	<u>923,398</u>	<u>959,840</u>
Estimated Revenues & Transfers-In	40,000	1,355,960	1,395,960
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (3,558)</u>	<u>\$ (432,562)</u>	<u>\$ (436,120)</u>
 BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Taxes			\$ 0
Charges for Services		(443,023)	(443,023)
Sale of Documents, Merchandise and Property	(3,558)	17,877	14,319
Miscellaneous			0
Grants, Contracts, Donations and Abandonments		(7,416)	(7,416)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (3,558)</u>	<u>\$ (432,562)</u>	<u>\$ (436,120)</u>

See the notes to financial statements.



LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	AUDIT & EXAMINATION	FISCAL ANALYSIS & REVIEW	LEGIS COMMITTEES & ACTIVITIES	LEGISLATIVE SERVICES	LEGISLATIVE FEED BILL	LEGISLATURE - HOUSE	LEGISLATURE - SENATE	Total
Personal Services								
Salaries	\$ 2,211,722	\$ 920,238	\$ 28,700	\$ 2,487,369	\$ 89,453	\$ 1,226,101	\$ 766,183	\$ 7,739,766
Other Compensation								
Employee Benefits	610,748	240,670	2,649	667,347	13,872	996,930	498,465	1,495,396
Total	2,822,470	1,160,908	31,349	3,154,716	103,425	3,042,810	1,735,400	12,051,078
Operating Expenses								
Other Services	69,058	40,600	6,109	804,678	272,841	26,611	21,755	1,241,652
Supplies & Materials	21,796	9,280	782,998	782,998	2,277	29,558	26,593	873,393
Communications	22,838	3,744	8,941	55,004	44,528	6,248	4,412	145,777
Traavel	51,651	5,786	58,092	19,801		75,127	39,879	250,336
Repair & Maintenance	408			144,336				144,336
Other Expenses	35,551	623	174,435	83,192		2,291	2,375	88,766
Total	201,302	65,292	243,771	1,958,005	319,646	141,702	2,181	282,653
Equipment & Intangible Assets								
Equipment								
Total	0	0	0	57,820	0	0	0	57,820
Total Expenditures & Transfers-Out	\$ 3,023,772	\$ 1,226,200	\$ 274,620	\$ 5,170,541	\$ 423,071	\$ 3,184,512	\$ 1,832,595	\$ 15,135,311
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund								
State Special Revenue Fund	\$ 1,468,123	\$ 1,226,200	\$ 274,620	\$ 4,749,914	\$ 423,071	\$ 3,184,512	\$ 1,832,595	\$ 13,159,035
Total Expenditures & Transfers-Out	1,555,649	1,226,200	274,620	420,627	423,071	3,184,512	1,832,595	15,135,311
Less Nonbudgeted Expenditures & Transfers-Out	(1,830)	(711)	(18)	(2,151)	(107)	(1,119)	(772)	(6,708)
Prior Year Expenditures & Transfers-Out Adjustments	0	0	0	0	0	0	0	0
Actual Budgeted Expenditures & Transfers-Out	3,023,602	1,225,911	274,638	5,172,692	423,178	3,185,631	1,833,367	15,142,019
Budget Authority	1,319,341	326,859	52,221	5,674,008	769,530	4,511,400	2,684,115	19,481,826
Unspent Budget Authority	1,110,371	152,430	52,221	507,316	346,352	1,325,769	850,748	4,339,807
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 1,102,095	\$ 152,430	\$ 52,221	\$ 419,599	\$ 346,352	\$ 1,325,769	\$ 850,748	\$ 4,249,214
State Special Revenue Fund	8,876			61,717				90,593
Unspent Budget Authority	1,110,971	152,430	52,221	507,316	346,352	1,325,769	850,748	4,339,807

See the notes to financial statements





**LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004 and 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Legislative Branch uses the modified accrual basis of accounting, as defined by state accounting policy, for its Funds. In applying the modified accrual basis, the Legislative Branch records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Legislative Branch to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the Legislative Branch receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

**Financial Schedule Presentation**

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Accounting, Budgeting and Human Resource System without adjustment.

Accounts are organized in funds according to state law. The Legislative Branch uses the following funds:

**Governmental Funds:**

General Fund -used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund -used to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

**2. GENERAL FUND BALANCE**

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The beginning and ending fund balances reported on the accompanying Schedules of Changes in Fund Balances and Property Held in Trust reflect the Legislative Branch's, excluding the Consumer Counsel, share of the statewide General Fund balance for the years ended June 30, 2004 and 2005.





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Campanella • Stevens • P.C.**

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Certified Public Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2004 and 2005 and have issued our report thereon dated October 7, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Legislative Branch's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance**

As part of obtaining reasonable assurance about whether the Legislative Branch's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Legislative Branch in a separate letter dated October 7, 2005.



Report on internal control and compliance

Page 2 of 2

This report is intended for the information of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Junkermier, Clark, Campanella, Stevens, P.C.*

Helena, Montana

October 7, 2005





**Montana Legislative Services Division**  
**Office of the Executive Director**

---

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Helena, MT 59620-1706  
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FAX (406) 444-3036

October 26, 2005

Junkermier, Clark, Campanella, Stevens, P.C.  
Certified Public Accountants  
P.O. Box 1164  
Helena MT 59624-1164

RE: Legislative Branch Audit Response

Dear Junkermier, Clark, Campanella, Stevens, P.C.:

We have reviewed the draft audit report for the Legislative Branch (agency 11040). We are pleased that our agency accounting meets all tested standards and that no recommendations for improvement were necessary.

We are also pleased we have a long history of clean audits. The dedication and cooperation of a number of people have made this possible. In particular, the staff of the Financial Services Office, under the able leadership of Karen Berger, has consistently ensured that high standards of accounting are met and maintained.

Thank you for your work.

Sincerely,

A handwritten signature in cursive script, reading "Lois Menzies".

Lois Menzies  
Executive Director  
CI0429 5299lexa.







**Junkermier • Clark  
Campanella • Stevens • P.C.**

Certified Public Accountants and Business Advisors

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October 7, 2005

To the Legislative Audit Committee  
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the years ended June 30, 2005, and 2004, and have issued our report thereon dated October 7, 2005. Professional standards require that we provide you with the following information related to our audits.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audits to obtain reasonable, but not absolute, assurance that the financial schedules are free of material misstatement and are fairly presented in accordance with the basis of funds according to State law. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audits, we considered the internal control of the Legislative Branch. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of the Legislative Branch's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Legislative Branch are described in Note 1 to the financial schedules.



No new accounting policies were adopted and the application of existing policies was not changed during the fiscal years ended June 30, 2005, and 2004. We noted no transactions entered into by the Legislative Branch during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial schedules.

#### Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial schedules that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Legislative Branch's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, indicate matters that could have a significant effect on the Legislative Branch's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial schedules or a determination of the type of auditor's opinion that may be expressed on those schedules, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Legislative Branch's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Legislature and management of the Legislative Branch, and is not intended to be and should not be used by anyone other than these specified parties.

*Junkermier, Clark, Campanella, Stevens, P.C.*

Helena, Montana





